

**MIDWAY CITY CORPORATION**  
**FINANCIAL STATEMENTS**  
**And Supplementary Information**  
**JUNE 30, 2006**

MIDWAY CITY CORPORATION  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006

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## **THE C.P.A. NETWORK, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

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### **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council Members  
Midway City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway City Corporation, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Midway City Corporation, Utah's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Heber Light & Power Company, a joint venture, the investment in which, as discussed in Note 5 to the financial statements, is accounted for by the equity method of accounting. The investment in Heber Light & Power Company was \$1,464,558 as of June 30, 2006, and the equity in its net income was \$14,173 for the year then ended. The financial statements of Heber Light & Power Company were audited by other auditors, as of December 31, 2005, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Heber Light & Power Company, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors, provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway City Corporation, Utah, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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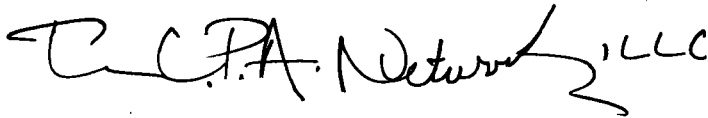
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006, on our consideration of Midway City Corporation, Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information (on pages 3 through 16, 22 through 25 and 49 through 51) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "The C.P.A. Network, LLC". The signature is stylized, with the "C.P.A." and "Network" being more legible than the "The" and "LLC".

THE C.P.A. NETWORK, LLC  
Certified Public Accountants  
Provo, Utah

December 1, 2006

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**MIDWAY CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

**Introduction**

As management of the Midway City Corporation, we offer readers of Midway City Corporation's financial statements this narrative overview and analysis of the financial activities of the Midway City Corporation for the fiscal year ended June 30, 2006.

**Financial Highlights**

**Government Wide**

- The total net assets of the Midway City Corporation increased \$9,257,127. The governmental net assets increased \$2,023,613 and the business-type net assets increased \$7,233,514 (page 18).
- At the close of the current fiscal year, the assets of the City exceeded its liabilities by \$26,684,923. Of this amount, \$3,720,061 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors (page 17).

**Fund Level**

- As of the close of the current fiscal year, Midway City's governmental funds (reflected on a current financial resources basis) reported combined ending fund balances of \$2,430,833, a increase of \$407,764 in comparison with the prior year. Approximately 91 percent of this total amount, \$1,978,683, is available for spending at the government's discretion (*unreserved fund balance*) (pages 19 & 20).
- At the end of the current fiscal year, unreserved fund balance for the general fund (the primary operating fund) was \$313,637, a decrease of \$289,558 (page 20).

**Long-term Debt**

- Midway City Corporation's total debt decreased by \$44,538 (3.5 percent) during the current fiscal year. The key factors in this net decrease were the ongoing scheduled payment of debt in the amount of \$194,838 and the additional debt for the water tank in the amount of \$150,000 (page 44).

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Midway City's basic financial statements. Midway City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Midway City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Midway City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Midway City Corporation is improving or deteriorating.

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The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Midway City Corporation that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Midway City include general government, public safety, highways and public works, parks and recreation, general capital projects, the Municipal Building Authority, the Wasatch Area Drug Enforcement Network, and perpetual care of the cemetery. The business-type activities of Midway City Corporation include a running a Water System, an Ice Rink, and a joint-venture in an electric distribution operation.

The government-wide financial statements can be found on pages 17 and 18 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives of Midway City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Midway City Corporation can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Midway City Corporation maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects, Municipal Building Authority, and Wasatch Area Drug Enforcement Network all of which are considered to be major funds. Individual fund data for the non-major governmental fund is provided in a separate column.



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Midway City Corporation adopts an annual appropriated budget for its general fund, and other governmental funds. A budgetary comparison statement has been provided for the general fund and the major special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 and 20 of this report.

**Proprietary Funds.** Midway City Corporation maintains 2 different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Midway City uses enterprise funds to account for its Water System and Ice Rink.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility and Ice Rink, both of which are considered to be major funds of Midway City.

The basic proprietary fund financial statements can be found on pages 26, 27 and 28 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 48 of this report.

**Other information.** Budgetary schedules for the capital improvement funds and the non-major governmental fund can be found on pages 49 - 51 of this report.

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**MIDWAY CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Midway City Corporation, assets exceeded liabilities by \$ 26,684,923 at the close of the most recent fiscal year. The largest portion of Midway City's net assets (81 percent) is its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Midway City Corporation uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Midway City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Midway City Corporation's Net Assets**

**Table 1**

	Governmental		Business-Type		Total	
	2006	2005	2006	2005	2006	2005
Current assets	\$ 3,089,685	\$ 2,496,761	\$ 1,791,810	\$ 1,445,151	\$ 4,881,495	\$ 3,941,912
Capital assets	5,934,369	4,925,925	16,921,310	9,870,700	22,855,679	14,366,625
Other assets	0	0	1,464,558	1,379,271	1,464,558	1,379,271
<b>Total assets</b>	<b>\$ 9,024,053</b>	<b>\$ 6,992,686</b>	<b>\$ 20,177,678</b>	<b>\$ 12,695,122</b>	<b>\$ 29,201,731</b>	<b>\$ 19,687,808</b>
Current liabilities	\$ 837,302	\$ 669,558	\$ 668,703	\$ 519,661	\$ 1,506,005	\$ 1,189,219
Noncurrent liabilities	910,803	1,070,792	100,000	0	1,010,803	1,070,792
<b>Total liabilities</b>	<b>\$ 1,748,105</b>	<b>\$ 1,740,350</b>	<b>\$ 768,703</b>	<b>\$ 519,661</b>	<b>\$ 2,516,808</b>	<b>\$ 2,260,011</b>
Net assets:						
Invested in capital assets, net of related debt	\$ 4,886,271	\$ 3,270,331	\$ 16,770,825	\$ 9,850,575	\$ 21,657,096	\$ 13,120,906
Restricted	452,149	184,457	855,617	605,741	1,307,766	790,198
Unrestricted	1,937,528	1,797,548	1,782,533	1,719,145	3,720,061	3,516,693
<b>Total net assets</b>	<b>\$ 7,275,948</b>	<b>\$ 5,252,336</b>	<b>\$ 19,408,975</b>	<b>\$ 12,175,461</b>	<b>\$ 26,684,923</b>	<b>17,427,797</b>

An additional portion of Midway City's net assets (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,720,061) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Midway City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

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**Governmental activities.** Governmental activities increased Midway City's net assets by \$ 2,023,613, thereby accounting for 22 percent of the total growth in the net assets of Midway City Corporation. Key elements of this increase are as follows:

- Capital contributions from contractors amounting to \$ 1,185,978 during the current fiscal year.
- Charges for services for building permits and zoning fees increased by \$ 417,889 due to increased residential and commercial construction.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

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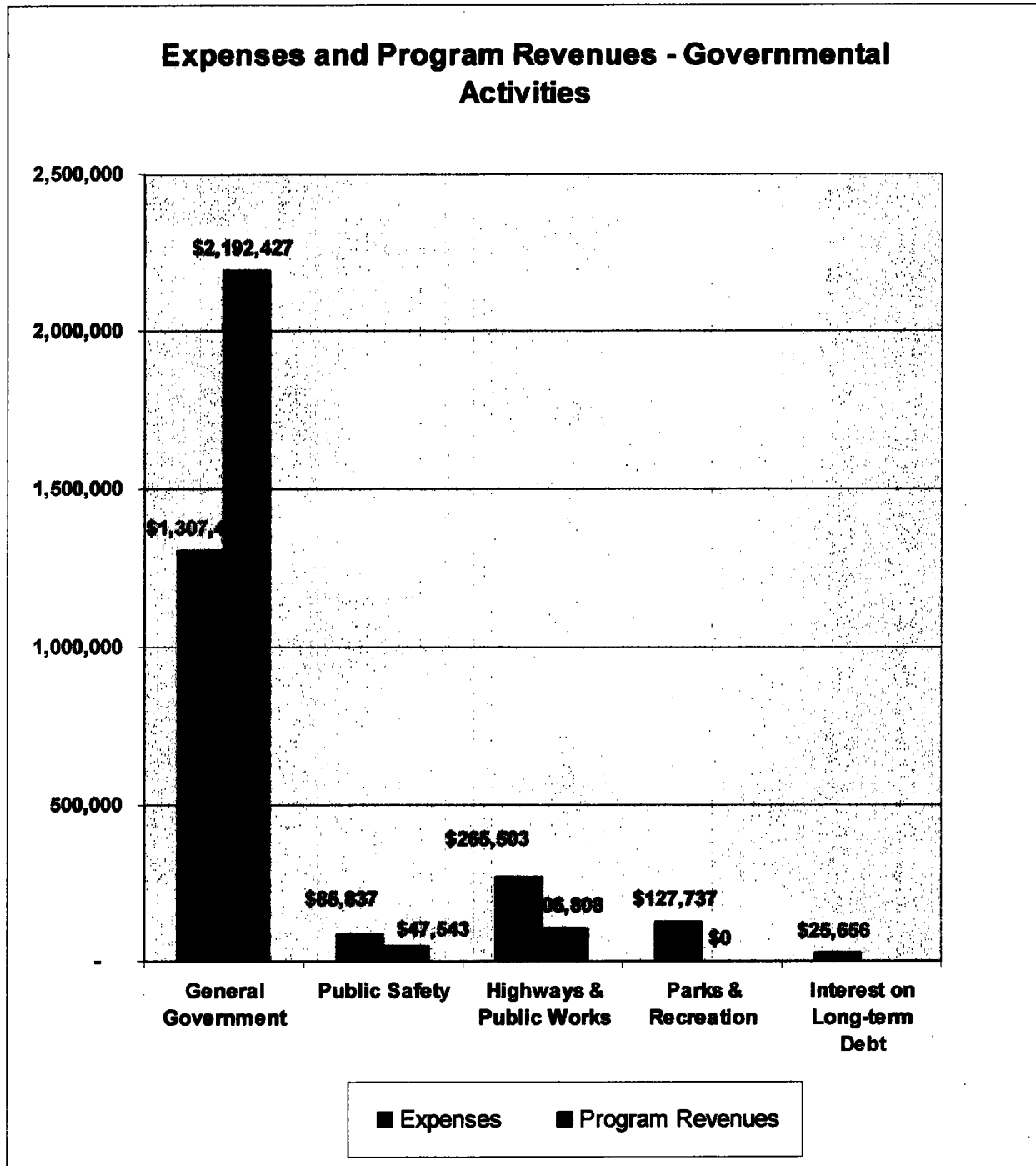
**Midway City's Changes in Net Assets**

**Table 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Revenues</b>						
Program Revenues:						
Charges for service	\$ 1,000,549	\$ 582,660	\$ 441,436	\$ 409,621	\$ 1,441,985	\$ 992,281
Operating grants & contributions	160,251	628,555	0	0	160,251	628,555
Capital grants & contributions	1,185,978	803,392	6,587,751	1,436,100	7,773,729	2,239,492
General Revenues:						
Property taxes	283,852	246,418	0	0	283,852	246,418
Other taxes	651,817	467,970	0	0	651,817	467,970
Other	558,704	277,511	612,846	311,663	1,171,550	589,174
<b>Total Revenues</b>	<b>3,841,151</b>	<b>3,006,506</b>	<b>7,642,033</b>	<b>2,157,384</b>	<b>11,483,184</b>	<b>5,163,890</b>
<b>Expenses:</b>						
General Government	1,307,430	884,082	0	0	1,307,430	884,082
Public Safety	85,837	169,314	0	0	85,837	169,314
Highways & Public Works	265,503	201,810	0	0	265,503	201,810
Parks & Recreation	127,737	97,659	0	0	127,737	97,659
Interest on Long-term Debt	25,656	37,414	0	0	25,656	37,414
Ice Rink	0	0	65,928	60,028	65,928	68,028
Water	0	0	347,966	338,274	347,966	338,274
<b>Total Expenses</b>	<b>1,812,163</b>	<b>1,390,279</b>	<b>413,894</b>	<b>406,302</b>	<b>2,226,057</b>	<b>1,796,581</b>
<b>Change in net assets before transfers</b>	<b>2,028,988</b>	<b>1,619,227</b>	<b>7,228,139</b>	<b>1,751,082</b>	<b>9,257,127</b>	<b>3,370,309</b>
Transfers	(5,375)	(270,411)	5,375	270,411	0	0
<b>Change in net assets</b>	<b>2,023,613</b>	<b>1,348,816</b>	<b>7,233,514</b>	<b>2,021,493</b>	<b>9,257,127</b>	<b>3,370,309</b>
Net assets - Beginning	5,252,335	3,903,520	12,175,461	10,153,968	17,427,797	14,057,488
<b>Net assets - Ending</b>	<b>\$ 7,275,948</b>	<b>\$ 5,252,336</b>	<b>\$ 19,408,975</b>	<b>\$ 12,175,461</b>	<b>\$ 26,684,924</b>	<b>\$ 17,427,797</b>

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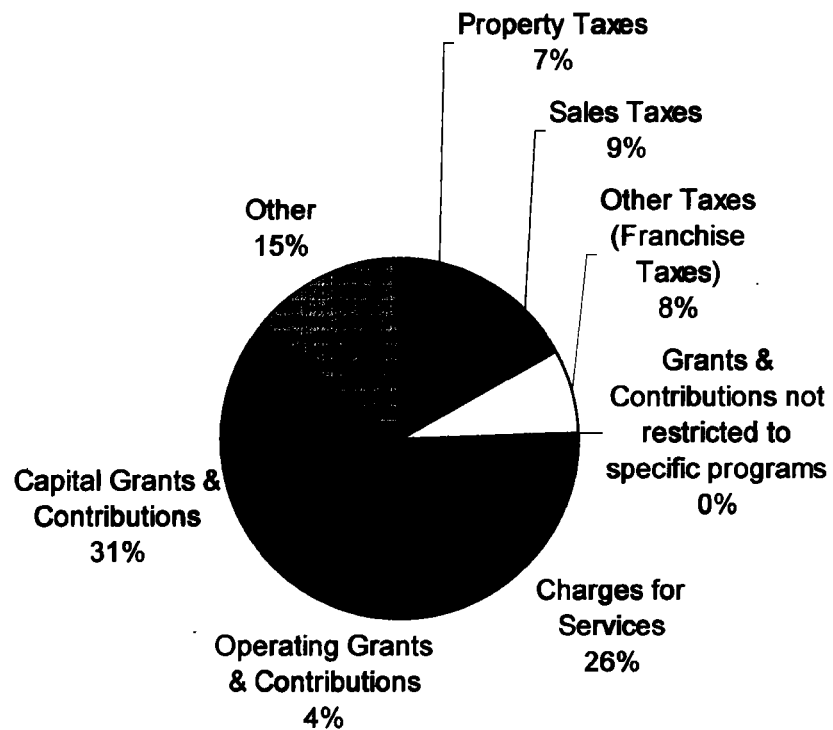
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**Revenues by Source - Governmental Activities**

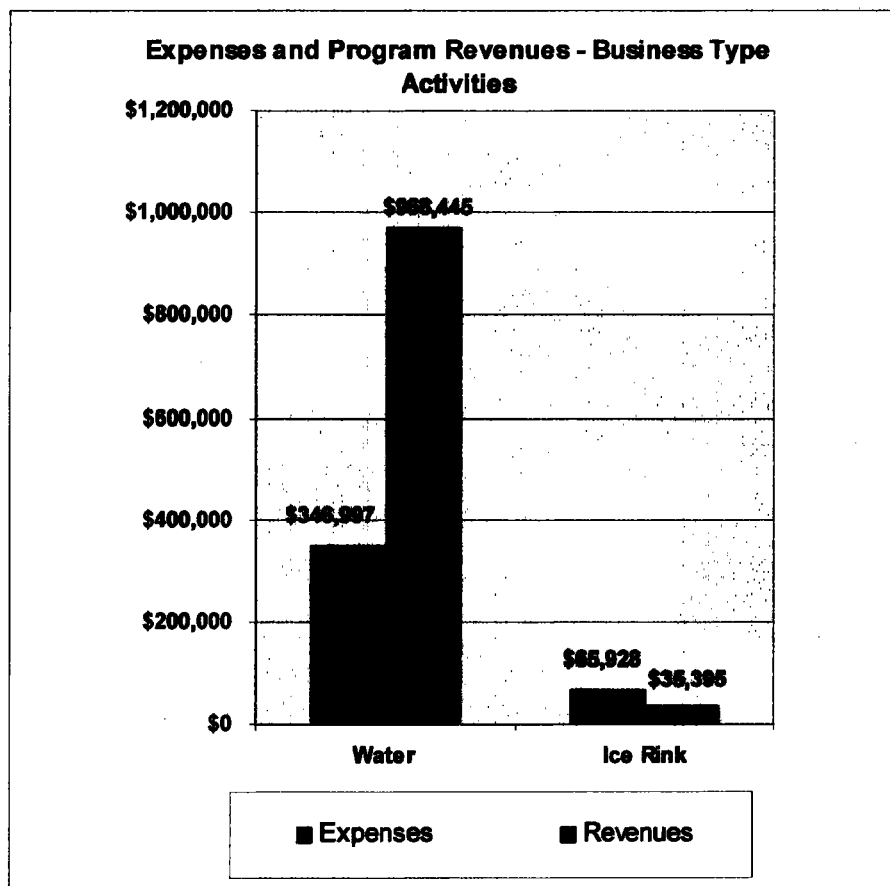


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**MIDWAY CITY CORPORATION**  
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**Business-type activities.** Business-type activities increased Midway City's net assets by \$7,233,514 accounting for 78 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Impact fees emerged as a major revenue source for the Water System during the current fiscal year, producing \$526,249 in revenue. The impact fees are collected for new construction and must be used for capital purposes related to new growth.
- Capital contributions resulted in the largest portion of the increase in net assets, resulting in a \$5,850,000 increase that represents the value of the contributed water shares from new development and a \$737,751 increase was due to contractor water distribution system contributions.



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**MIDWAY CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Financial Analysis of the Government's Funds**

As noted earlier, Midway City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Midway City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Midway City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Midway City's governmental funds reported combined ending fund balances of \$2,430,833 an increase of \$407,764 in comparison with the prior year. Approximately 81% of this total amount, \$1,978,683, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance, \$452,149, is reserved to indicate that it is not available for new spending because it has already been committed for impact fees, which are restricted for use on capital projects related to growth.

The general fund is the chief operating fund of the Midway City Corporation. At the end of the current fiscal year, unreserved fund balance of the general fund was \$313,637, while total fund balance for all funds combined reached \$2,430,833. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21 percent of total general fund expenditures, while total fund balance represents 21 percent of that same amount.

The fund balances of the Midway City's general fund decreased by \$289,558 during the current fiscal year. Key factors in this decrease are as follows:

- General government expenditures increased by \$421,304 over the prior year.
- Transfers out to other governmental funds increased by \$239,244 over prior year.

The capital projects fund has a total fund balance of \$1,688,627, of which, \$452,149 is reserved for impact fees. The net increase in fund balance during the current year in the fund was \$783,713 was due mainly to transfers in of \$877,433.

The Municipal Building Authority has a total fund balance of \$241,272. The net decrease in fund balance during the current year in the fund was \$117,547. The key factor in the decrease was a \$158,933 payment on long term debt.

**Proprietary Funds.** Midway City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water System at the end of the year amounted to \$1,781,094 of which \$1,464,558 is represented by an investment in the HL&P joint venture. The total growth in net assets for this fund was \$7,238,047 due mainly to capital contributions in the amount of \$6,587,751. Other factors concerning the finances of this fund has already been addressed in the discussion of Midway City's government-wide business-type activities.

Net assets of the Ice Rink at the end of the year amounted to \$366,572. Other factors concerning the finances of this



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fund have already been addressed in the discussion of Midway City's government-wide business-type activities.

**General Fund Budgetary Highlights**

The major changes in the general fund budget were related to increases to non-departmental of \$343,000, planning and zoning of \$144,400 and transfers of \$687,853.

**Capital Asset and Debt Administration**

**Capital assets.** Midway City's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$22,855,679 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and sidewalks.

Major capital asset events during the current fiscal year included the following:

- Capital contributions of \$5,850,000 of water stock and \$737,751 in water system.
- A variety of street construction projects and infrastructure increase in the amount of \$1,400,274.

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**MIDWAY CITY CORPORATION**  
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**Midway City's Capital Assets**  
(net of depreciation)

The following is a summary of changes in the governmental activities:

	Beginning Balance 7/1/2005	Additions & Contributions	Retirements &	Less: Depreciation	Ending Balance 6/30/2006
Land	\$ 1,389,103	\$ 388,345	\$ 0	\$ 0	\$ 1,777,448
Buildings	614,677	0	0	(265,622)	349,055
Improvements	115,113	95,239	0	(49,191)	161,161
Infrastructure	4,209,688	1,400,274	0	(2,207,432)	3,402,530
Equipment	589,061	46,335	0	(456,101)	179,295
Vehicles	226,471	23,104	0	(184,695)	64,880
Construction in progress	203,568	0	(203,568)	0	0
	<u>\$ 7,347,681</u>	<u>\$ 1,953,297</u>	<u>\$ (203,568)</u>	<u>\$ (3,163,041)</u>	<u>\$ 5,934,369</u>

The following is a summary of changes in the business-type activities:

	Beginning Balance 7/1/2005	Additions & Contributions	Retirements &	Less: Depreciation	Ending Balance 6/30/2006
Water stock	\$ 6,865,800	\$ 5,850,000	\$ 0	\$ 0	\$ 12,715,800
Buildings	24,817	236	0	(633)	24,420
Water distribution system	2,978,537	1,473,772	0	(620,135)	3,832,174
Ice sheet	322,626	3,785	0	(19,455)	306,956
Equipment	166,617	6,856	0	(131,513)	41,960
Construction in progress	178,387	0	(178,387)	0	0
	<u>\$ 10,536,784</u>	<u>\$ 7,334,649</u>	<u>\$ (178,387)</u>	<u>\$ (771,736)</u>	<u>\$ 16,921,310</u>

Additional information on Midway City's capital assets can be found in note 4 on page 39 of this report.

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**Long-term debt.** At the end of the current fiscal year, Midway City Corporation had total debt outstanding of \$1,230,226. Of this amount, \$899,254 comprises debt representing bonds secured solely by specified revenue sources (i.e., revenue bonds).

**Midway City Corporation's Outstanding Debt General**

General Obligation and Revenue Bonds

	Totals	
	2006	2005
<b>Governmental</b>		
General Obligation Bonds	\$ 0	\$ 0
Revenue Bonds	899,254	1,038,254
Note Payable	139,817	160,491
Capital Leases	0	15,314
Accrued Compensated Absences	41,155	41,065
<b>Total Governmental</b>	<b>1,080,226</b>	<b>1,255,124</b>
<b>Business-Type</b>		
Revenue Bonds	0	19,390
Notes Payable	150,000	250
<b>Total Business-Type</b>	<b>150,000</b>	<b>19,640</b>
<b>Total</b>	<b>\$ 1,230,226</b>	<b>\$ 1,274,764</b>

Midway City's total debt decreased by \$44,538 (3.5 percent) during the current fiscal year. The key factors in this net decrease were the ongoing scheduled payment of debt in the amount of \$194,538 and the additional debt for the water tank in the amount of \$150,000 (page 44).

Midway City Corporation and its Water System are unrated in the bond market due to the small population and number of connections to the Water System.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4 percent of the fair market value of taxable property within its jurisdiction. Midway City Corporation currently has no general obligation debt.

Additional information on the Midway City's long-term debt can be found in Note 7 on page 42, of this report.

**Economic Factors and Next Year's Budgets and Rates**

In the coming year, Midway City will continue to see strong residential growth but at a slightly diminished rate from previous years. Several annexations, with significant planned residential projects, have been approved or likely will be approved before the end of the Fiscal Year 2007 budget.

**MIDWAY CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

Resort and recreational development will continue. A significant remodel and expansion of the Mt. Spa Resort has received concept approval. Other resorts are also considering expansions or remodels. The sustainability and economic impact of these projects, and their effects on the city's budget, remain to be seen. Any direct economic impact will not occur in the FY 2007 budget.

Implemented increases in the sales and use tax will positively affect revenue. The adoption of a resort tax will almost double sales tax revenue, while the passage of a highway tax should increase it by a quarter.

**Requests for Information**

This financial report is designed to provide a general overview of Midway City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, Midway City Corporation, 75 North 100 West, PO Box 277, Midway, Utah 84049.

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**BASIC FINANCIAL  
STATEMENTS**

**MIDWAY CITY CORPORATION**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 908,413	\$ 791,143	\$ 1,699,556
Cash and cash equivalents-restricted	1,854,582	855,617	2,710,199
Accounts receivable - net	0	45,019	45,019
Property taxes receivable	286,544	0	286,544
Sales taxes receivable	26,150	0	26,150
Other receivables	13,996	5,156	19,152
Inventory	0	1,655	1,655
Prepays	0	93,220	93,220
Internal balances	0	0	0
Total current assets	3,089,685	1,791,810	4,881,495
Noncurrent assets:			
Capital assets:			
Non-depreciable			
Land	1,777,448	0	1,777,448
Water stock	0	12,715,800	12,715,800
Construction in progress	0	0	0
Depreciable (net of accumulated depreciation):			
Buildings	349,055	24,420	373,475
Improvements	161,161	0	161,161
Equipment	179,295	41,960	221,255
Vehicles	64,880	0	64,880
Infrastructure	3,402,530	0	3,402,530
Water distribution system	0	3,832,174	3,832,174
Ice sheet	0	306,956	306,956
Net capital assets	5,934,369	16,921,310	22,855,679
Investment in joint venture	0	1,464,558	1,464,558
Total noncurrent assets	5,934,369	18,385,868	24,320,237
Total assets	\$ 9,024,053	\$ 20,177,678	\$ 29,201,731
<b><u>Liabilities and Net Assets</u></b>			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 68,294	\$ 609,658	\$ 677,952
Deposits	308,468	1,700	310,168
Accrued interest payable	9,026	485	9,511
Compensated absences	6,700	0	6,700
Unearned revenue	282,090	6,860	288,950
Current portion of long term debt	162,724	50,000	212,724
Total current liabilities	837,302	668,703	1,506,005
Noncurrent liabilities:			
Note payable	0	100,000	100,000
Bonds payables	876,348	0	876,348
Compensated absences	34,455	0	34,455
Total noncurrent liabilities	910,803	100,000	1,010,803
Total liabilities	1,748,105	768,703	2,516,808
Net Assets:			
Invested in capital assets, net of related debt	4,886,271	16,770,825	21,657,096
Restricted for park impact	452,149	0	452,149
Restricted for water impact	0	855,617	855,617
Unrestricted	1,937,528	1,782,533	3,720,061
Total net assets	7,275,948	19,408,975	26,684,923
Total Liabilities and Net Assets	\$ 9,024,053	\$ 20,177,678	\$ 29,201,731

**MIDWAY CITY CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Function/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets			
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
			Grants and Contributions					
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 1,307,430	\$ 1,000,549	\$ 5,900	\$ 1,185,978	\$ 884,997		\$ 884,997	
Public safety	85,837	0	47,543	0	(38,294)		(38,294)	
Highways and public works	265,503	0	106,808	0	(158,695)		(158,695)	
Parks and recreation	127,737	0	0	0	(127,737)		(127,737)	
Interest on long-term debt	25,656	0	0	0	(25,656)		(25,656)	
Total governmental activities	1,812,163	1,000,549	160,251	1,185,978	534,615		534,615	
<b>Business-type activities:</b>								
Water Utility	347,966	406,041	0	6,587,751		\$ 6,645,826	6,645,826	
Ice Sheet	65,928	35,395	0	0		(30,533)	(30,533)	
Total business-type activities	413,894	441,436	0	6,587,751		6,615,293	6,615,293	
Total primary government	\$ 2,226,057	\$ 1,441,985	\$ 160,251	\$ 7,773,729	534,615	6,615,293	7,149,908	
<b>General revenues:</b>								
Property taxes					283,852		283,852	
General sales and use tax					363,201		363,201	
Franchise tax					288,616		288,616	
Impact fees					443,627	526,249	969,876	
Unrestricted investment earnings					0	14,173	14,173	
Interest income					0	72,193	72,193	
Miscellaneous					115,077	231	115,308	
Transfers					(5,375)	5,375	0	
Total general revenues and transfers					1,488,998	618,221	2,107,219	
Change in net assets					2,023,613	7,233,514	9,257,127	
Net assets - beginning (as restated)					5,252,335	12,175,461	17,427,796	
Net assets - ending					\$ 7,275,948	\$ 19,408,975	\$ 26,684,923	

The accompanying notes are an integral part of these financial statements.  
See the accompanying independent auditor's report.

**MIDWAY CITY CORPORATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
JUNE 30, 2006

	General Fund	Capital Projects General	Debt Service M.B.A.	Special Revenue BackNET	Other Governmental Perpetual Care	Total Governmental Funds
<b><u>Assets</u></b>						
Cash and cash equivalents	\$ 571,541	\$ 132,809	\$ 18,968	\$ 2,034	\$ 183,061	\$ 908,413
Cash and cash equivalents-restricted	26,450	1,605,828	222,304	0	0	1,854,582
Receivables (net):						
Property tax	286,544	0	0	0	0	286,544
Sales tax	26,150	0	0	0	0	26,150
Other	7,251	0	0	6,744	0	13,995
Due from other funds	4,129	0	0	0	0	4,129
Total assets	<u>\$ 922,065</u>	<u>\$1,738,637</u>	<u>\$241,272</u>	<u>\$ 8,778</u>	<u>\$ 183,061</u>	<u>\$ 3,093,813</u>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities:</b>						
Accounts payable & accrued liabilities	\$ 68,294	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68,294
Deposits and bonds	258,458	50,010	0	0	0	308,468
Deferred revenue	281,676	0	0	414	0	282,090
Due to other funds	0	0	0	4,129	0	4,129
Total liabilities	<u>608,428</u>	<u>50,010</u>	<u>0</u>	<u>4,543</u>	<u>0</u>	<u>662,981</u>
<b>Fund Balances:</b>						
<b>Fund balances reserved for:</b>						
B&C Roads	0	0	0	0	0	0
Park impact fees	0	452,149	0	0	0	452,149
<b>Unreserved, reported in:</b>						
General Fund	313,637	0	0	0	0	313,637
Capital Improvement Funds	0	1,236,478	241,272	0	0	1,477,750
Special Revenue Funds	0	0	0	4,235	0	4,235
Other Governmental Funds	0	0	0	0	183,061	183,061
Total fund balances	<u>313,637</u>	<u>1,688,627</u>	<u>241,272</u>	<u>4,235</u>	<u>183,061</u>	<u>2,430,832</u>
Total liabilities and fund balances	<u>\$ 922,065</u>	<u>\$1,738,637</u>	<u>\$241,272</u>	<u>\$ 8,778</u>	<u>\$ 183,061</u>	<u>\$ 3,093,813</u>

Fund balances reported for governmental activities in the entity wide balance sheet are different because:

Fund balances--total governmental funds	\$ 2,430,832
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,934,369
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,048,098)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(41,155)
Net assets of governmental activities	<u>\$ 7,275,948</u>



**MIDWAY CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Capital Projects General	Debt Service M.B.A.	Special Revenue BackNET	Other Governmental Perpetual Care	Total Governmental Funds
<b><u>Revenues</u></b>						
Taxes	\$935,669	\$ 0	\$ 0	\$ 0	\$ 0	\$ 935,669
Licenses and permits	670,671	0	0	0	0	670,671
Intergovernmental	110,782	0	0	43,569	0	154,351
Charges for services	307,740	0	0	0	22,138	329,878
Impact fees	0	443,627	0	0	0	443,627
Miscellaneous revenue	39,420	24,410	41,386	3,570	6,292	115,078
	<u>2,064,282</u>	<u>468,037</u>	<u>41,386</u>	<u>47,139</u>	<u>28,430</u>	<u>2,649,274</u>
<b><u>Expenditures</u></b>						
Current:						
General government	1,146,738	50,111	0	0	0	1,196,849
Public safety	41,424	0	0	44,413	0	85,837
Streets	64,499	0	0	0	0	64,499
Parks and recreation	127,737	0	0	0	0	127,737
Capital Outlay	52,105	511,646	0	0	0	563,751
Debt service:						
Principal retirement	36,197	0	139,000	0	0	175,197
Interest and fiscal charges	8,232	0	19,933	0	0	28,165
	<u>1,476,932</u>	<u>561,757</u>	<u>158,933</u>	<u>44,413</u>	<u>0</u>	<u>2,242,035</u>
Excess revenues over (under) expenditures	<u>587,350</u>	<u>(93,720)</u>	<u>(117,547)</u>	<u>2,726</u>	<u>28,430</u>	<u>407,239</u>
<b><u>Other financing sources (uses)</u></b>						
Other financing sources (uses)	0	0	0	0	0	0
Contributions	5,900	0	0	0	0	5,900
Transfers in	0	877,433	0	0	0	877,433
Transfers out	(882,808)	0	0	0	0	(882,808)
	<u>(876,908)</u>	<u>877,433</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>525</u>
Net change in fund balances	(289,558)	783,713	(117,547)	2,726	28,430	407,764
Fund balances - beginning of year	603,195	904,915	358,819	1,509	154,631	2,023,069
Fund balances - end of year	<u>\$313,637</u>	<u>\$1,688,628</u>	<u>\$241,272</u>	<u>\$ 4,235</u>	<u>\$ 183,061</u>	<u>\$ 2,430,833</u>

The accompanying notes are an integral part of these financial statements.  
See the accompanying independent auditor's report.

**MIDWAY CITY CORPORATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the statement of activities (page 18 ) are different because:

Net change in fund balance--total governmental funds (page 20 )	\$ 407,764
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	252,466
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	1,185,977
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	177,496
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(90)
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Change in net assets of governmental activities (page 18 )	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ 2,023,613</div>
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General Fund Totals

Budget		Actual Total	Variance With Final Budget
Original	Final		
\$ 61,000	\$ 66,900	\$ 61,535	\$ 5,365
117,900	185,400	173,804	11,596
175,100	518,100	476,374	41,726
72,100	94,800	83,989	10,811
78,000	118,500	87,906	30,594
244,600	389,000	340,506	48,494
<u>748,700</u>	<u>1,372,700</u>	<u>1,224,114</u>	<u>148,586</u>
42,500	50,000	41,424	8,576
<u>42,500</u>	<u>50,000</u>	<u>41,424</u>	<u>8,576</u>
61,800	102,500	78,846	23,654
<u>61,800</u>	<u>102,500</u>	<u>78,846</u>	<u>23,654</u>
59,870	88,850	87,644	1,206
49,720	59,000	41,566	17,434
4,200	4,200	3,338	862
<u>113,790</u>	<u>152,050</u>	<u>132,548</u>	<u>19,502</u>
<u>966,790</u>	<u>1,677,250</u>	<u>1,476,932</u>	<u>200,318</u>
261,241	949,094	882,808	66,286
<u>261,241</u>	<u>949,094</u>	<u>882,808</u>	<u>66,286</u>
<u>\$ 1,228,031</u>	<u>\$ 2,626,344</u>	<u>\$ 2,359,740</u>	<u>\$ 266,604</u>

**MIDWAY CITY CORPORATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ 1,120,875	\$ 1,870,336	\$ 2,064,282	\$ 193,946
Expenditures	<u>(966,790)</u>	<u>(1,677,250)</u>	<u>(1,476,932)</u>	<u>200,318</u>
Excess of revenues over expenditures	<u>154,085</u>	<u>193,086</u>	<u>587,350</u>	<u>394,264</u>
<u>Other Financing Sources and (Uses)</u>				
Contributions	0	5,700	5,900	200
Operating transfers in	0	0	0	0
Operating transfers out	(261,241)	(949,094)	(882,808)	66,286
Other financing sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources and (uses)	<u>(261,241)</u>	<u>(949,094)</u>	<u>(876,908)</u>	<u>66,286</u>
Excess (deficit) of revenues & other financing sources over expenditures & uses	<u>\$ (107,156)</u>	<u>\$ (756,008)</u>	<u>(289,558)</u>	<u>\$ 460,550</u>
Fund balance, July 1			<u>603,195</u>	
Fund balance, June 30			<u>\$ 313,637</u>	

MIDWAY CITY CORPORATION  
SPECIAL REVENUE FUND - BackNET  
BUDGETARY COMPARISON STATEMENT  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Budget		Actual	Variance With Final Budget
	Original	Final		
<u>Operating Revenues</u>				
State grant	\$ 50,000	\$ 30,000	\$ 32,238	\$ 2,238
Local match	0	11,000	11,330	330
Miscellaneous	0	0	3,570	3,570
	<u>50,000</u>	<u>41,000</u>	<u>47,139</u>	<u>6,139</u>
<u>Operating Expense</u>				
Personnel	0	0	0	0
Materials, supplies & services	50,000	38,000	44,413	(6,413)
Capital outlay	0	0	0	0
	<u>50,000</u>	<u>38,000</u>	<u>44,413</u>	<u>0</u>
Operating income	<u>0</u>	<u>3,000</u>	<u>2,726</u>	<u>(274)</u>
<u>Nonoperating Revenues and (Expenses)</u>				
Seizure and restitution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Income before operating transfers	<u>0</u>	<u>3,000</u>	<u>2,726</u>	<u>(274)</u>
<u>Operating Transfers</u>				
Operating transfers (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net income	<u>\$ 0</u>	<u>\$ 3,000</u>	<u>2,726</u>	<u>\$ (274)</u>
Fund Balance, July 1			<u>1,509</u>	
Fund Balance, June 30			<u>\$ 4,235</u>	

The accompanying notes are an integral part of these financial statements.  
See the accompanying independent auditor's report.

**MIDWAY CITY CORPORATION**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
JUNE 30, 2006

	Business-Type Activities - Enterprise Funds		
	Water Utility	Ice Rink	Total
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 789,523	\$ 1,620	\$ 791,143
Cash and cash equivalents-restricted	855,617	0	855,617
Accounts receivable - net	45,019	0	45,019
Other receivables	5,156	0	5,156
Pre-pays	93,220	0	93,220
Inventory	1,655	0	1,655
Total current assets	<u>1,790,190</u>	<u>1,620</u>	<u>1,791,810</u>
Noncurrent assets:			
Capital assets			
Water distribution system	4,452,308	0	4,452,308
Buildings	0	25,053	25,053
Machinery and equipment	95,308	78,165	173,473
Ice sheet	0	326,411	326,411
Water stock	12,715,800	0	12,715,800
Construction in Process	0	0	0
Less: Accumulated depreciation	<u>(707,239)</u>	<u>(64,496)</u>	<u>(771,735)</u>
Net capital assets	16,556,177	365,133	16,921,310
Investment in joint venture	1,464,558	0	1,464,558
Total noncurrent assets	<u>18,020,735</u>	<u>365,133</u>	<u>18,385,868</u>
Total assets	<u>\$ 19,810,925</u>	<u>\$ 366,753</u>	<u>\$ 20,177,678</u>
<b><u>Liabilities and Net Assets</u></b>			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 609,477	\$ 181	\$ 609,658
Deposits	1,700	0	1,700
Due to other funds	0	0	0
Deferred revenue	6,860	0	6,860
Accrued interest payable	485	0	485
Current portion of long term debt	50,000	0	50,000
Total current liabilities	<u>668,522</u>	<u>181</u>	<u>668,703</u>
Noncurrent liabilities:			
Note payable	100,000	0	100,000
Total noncurrent liabilities	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total liabilities	<u>768,522</u>	<u>181</u>	<u>768,703</u>
Net Assets:			
Invested in capital assets, net of related debt	16,405,692	365,133	16,770,825
Restricted for water impact	855,617	0	855,617
Unrestricted	1,781,094	1,439	1,782,533
Total net assets	<u>19,042,403</u>	<u>366,572</u>	<u>19,408,975</u>
Total Liabilities and Net Assets	<u>\$ 19,810,925</u>	<u>\$ 366,753</u>	<u>\$ 20,177,678</u>

**MIDWAY CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Ice Rink</b>	<b>Total</b>
<b><u>Operating revenues</u></b>			
Water sales	\$ 298,815	\$ 0	\$ 298,815
Connection fees	107,226	0	107,226
Impact fees	526,249	0	526,249
Impact fees - interest	35,924	0	35,924
Admissions and sales	0	35,395	35,395
Miscellaneous	231	0	231
	<u>968,445</u>	<u>35,395</u>	<u>1,003,840</u>
<b><u>Operating expenses</u></b>			
Salaries and wages	66,867	14,276	81,143
Employee benefits	25,579	1,189	26,768
Materials, supplies and services	172,936	26,425	199,361
Depreciation	81,615	24,038	105,653
	<u>346,997</u>	<u>65,928</u>	<u>412,925</u>
Operating income	<u>621,448</u>	<u>(30,533)</u>	<u>590,915</u>
<b><u>Nonoperating revenues (expenses)</u></b>			
Income (loss) from joint venture	14,173	0	14,173
Interest revenue	36,269	0	36,269
Interest expense	(969)	0	(969)
Donations	0	0	0
Total nonoperating revenue(expenses)	<u>49,473</u>	<u>0</u>	<u>49,473</u>
Income before contributions and transfers	<u>670,921</u>	<u>(30,533)</u>	<u>640,388</u>
Capital contributions	6,587,751	0	6,587,751
Transfers in	0	26,000	26,000
Transfers out	(20,625)	0	(20,625)
Change in net assets	<u>7,238,047</u>	<u>(4,533)</u>	<u>7,233,514</u>
Total net assets - beginning	11,804,356	371,105	12,175,461
Total net assets - ending	<u>\$ 19,042,403</u>	<u>\$ 366,572</u>	<u>\$ 19,408,975</u>

**MIDWAY CITY CORPORATION**  
**STATEMENT OF CASHFLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Ice Rink</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 851,767	\$ 35,395	\$ 887,162
Payments to suppliers	(168,392)	(26,318)	(194,710)
Payments to employees	(93,419)	(15,465)	(108,884)
Collection of customer deposits	115,003	0	115,003
Net cash provided (used) by operating activities	704,959	(6,388)	698,571
<b>Cash Flows From Noncapital Financing Activities</b>			
Grants and contributions	0	0	0
Loans from other funds	(4,673)	(9,964)	(14,637)
Transfers in (out)	(20,625)	26,000	5,375
Net cash provided (used) by noncapital financing activities	(25,298)	16,036	(9,262)
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchases of capital assets	(502,222)	(8,028)	(510,250)
Proceeds from sale of capital assets	0	0	0
Proceeds from capital contributions	0	0	0
Principal paid on capital debt	(19,640)	0	(19,640)
Interest paid on capital debt	(969)	0	(969)
Net cash provided (used) by capital and related financing activities	(522,831)	(8,028)	(530,859)
<b>Cash Flows From Investing Activities</b>			
Interest and dividends received	36,269	0	36,269
Withdrawal from joint venture	20,625	0	20,625
Net cash provided (used) by investing activities	56,894	0	56,894
Net increase (decrease) in cash and cash equivalents	213,724	1,620	215,344
Cash and cash equivalents - beginning	1,431,416	0	1,431,416
Cash and cash equivalents - end	<u>\$ 1,645,140</u>	<u>\$ 1,620</u>	<u>\$ 1,646,760</u>
<b>Cash and cash equivalents:</b>			
Unrestricted	\$ 789,523	\$ 1,620	791,143
Restricted	855,617	0	855,617
Total	<u>\$ 1,645,140</u>	<u>\$ 1,620</u>	<u>\$ 1,646,760</u>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Capital contributions	\$ 6,587,751	\$ 0	\$ 6,587,751

(continued on page 29)

The accompanying notes are an integral part of these financial statements.  
See the accompanying independent auditor's report.



**MIDWAY CITY CORPORATION**  
**STATEMENT OF CASHFLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

(continued from page 28 )

**Reconciliation of operating income to  
net cash provided (used) by operating  
activities:**

	Business-Type Activities - Enterprise Funds		
	Water Utility	Ice Rink	Total
Operating income	\$ 621,448	\$ (30,533)	\$ 590,915
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	81,615	24,038	105,653
Amortization expense	0	0	0
(Inc)/decrease in accounts rec.	(23,459)	0	(23,459)
(Inc)/decrease in prepaids	(93,220)	0	(93,220)
Increase (decr.) in accounts payable	4,545	107	4,652
Increase (decr.) in accrued payroll	(973)	0	(973)
Increase (decr.) in deposits	115,003	0	115,003
Total adjustments	83,511	24,145	107,656
Net cash provided (used) by operating activities	\$ 704,959	\$ (6,388)	\$ 698,571

MIDWAY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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MIDWAY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Midway City Corporation was incorporated on June 1, 1891, as a third class city, under the provisions of the Utah State Code.

The City operates under a Mayor-Council form of government and provides services authorized by its charter, including public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Some of these services are provided under contract with other entities.

B. Reporting Entity

Midway City Corporation is a political subdivision of the State of Utah. It is governed by an elected mayor and five elected council members. The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of and for the year ended June 30, 2006.

For financial reporting purposes, Midway City Corporation has included all funds, account groups, and component units. The City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria in GASB Statement No. 14 to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose financial burdens on the City.

As required by generally accepted accounting principles, this report presents the financial information of both Midway City Corporation (the primary government) and its component units. The component units are included in the City's reporting entity because of the significance of the component unit's operational or financial relationships with the City.

Blended Component Units

These component units are entities, which are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They have the same governing board and provides services almost entirely to Midway City. They are reported as funds of the City. These are organizations for which Midway City is financially accountable, and the relationship with Midway City is significant enough that exclusion would possibly lead to misleading or incomplete financial statements. To obtain separate individual component unit financial statements please send requests to Midway City, c/o the City Clerk/Auditor, 75 North 100 West, Midway, Utah 84049.

MIDWAY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity (Continued)

Municipal Building Authority of Midway City, Utah. The building authority was created on May 3, 2000 under the provisions of the Utah Municipal Building Authority Act. The object and purposes are to acquire, improve, or extend one or more projects and to finance their costs on behalf of the City in accordance and subject to the limitations of the Utah Municipal Building Authority Act and subject to prior authorization by the governing body of the City. The Building Authority activity is reported as a capital projects fund.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the balance sheet and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

MIDWAY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital projects general fund accounts for the roads and other major projects of the city.

The Municipal Building Authority debt service fund accounts for the blended component unit described above for the purpose of acquiring, improving, or extending one or more projects then servicing the related debt.

BackNET is a special revenue fund that accounts for an interlocal agreement administered by the city.

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the city's water utility. The city operates a water distribution system.

The ice rink fund accounts for the activities of the city's public ice skating rink operated during the winter months.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and various other functions of the government. Elimination of these charges would distort direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

MIDWAY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water enterprise fund and the ice sheet enterprise fund are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, and Net Assets

1. Deposits and Investments

Cash consists of amounts in demand and certificates of deposit. The City considers all highly liquid investments maturing within three months to be cash equivalents. Cash balances are invested to the extent available. Investments include obligations of the U.S. Treasury, commercial paper, corporate bonds and purchase agreements. Investments are stated at fair value. The Public Treasurer's Investment Fund operates in accordance with appropriate state laws and regulations. The reported value of the Public Treasurer's Investment Fund is the same as the fair value of the shares.

2. Receivables and Payables

During the course of operations, transactions occur between individual funds for goods provided, services rendered or loans. The interfund receivables and payables created by this activity are classified as "due from other funds" (receivables) and "due to other funds" (payables) on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Restricted Assets

Cash and investments are often restricted to a particular use due to statutory, budgetary or legal requirements and are therefore classified as "restricted" on the City's balance sheets.

4. Capital Assets

Capital assets, which include property, land, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

MIDWAY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and net assets (Continued)

4. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period.

5. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave for proprietary funds is recorded as an expense and a liability as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

MIDWAY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "due from other funds" or "due to other funds" on the balance sheet of the governmental and proprietary fund financial statements.

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide presentation.

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**MIDWAY CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. The Money Management Act also defined the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

**Custodial Credit Risk - Deposits**

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The Money Management Act requires that deposits be in a qualified depository whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the primary government at June 30, 2006 were \$230,899. Of these, \$130,899 were exposed to custodial credit risk as uninsured and uncollateralized.

**Custodial Credit Risk - Investments**

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment. The city does not have a formal policy for custodial credit risk.

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**MIDWAY CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2006 the City had the following investments:

	Investment Maturities (in years)		
	Fair Value	Less Than 1	More Than 1
Utah Public Treasurer's Investment Fund	\$ 4,355,819	\$ 4,355,819	\$ 0
	<u>\$ 4,355,819</u>	<u>\$ 4,355,819</u>	<u>\$ 0</u>

There is no material difference between the fair values and carrying amounts of the State Treasurer's Pool shares (fair value per share factor is 1.000154).

As of June 30, 2006 the City had the following deposits and investments

Amounts per Financial Institution and Reconciling Items

Deposits	\$ 230,899
Deposits in transit	185
Outstanding checks	(178,818)
Cash on hand	1,670
Investment in Utah Public Treasurer's Investment Fund	4,355,819
	<u>\$ 4,409,755</u>

Amounts per Balance Sheet

Cash and cash equivalents	\$ 1,699,556
Cash and cash equivalents - restricted	2,710,199
Total	<u>\$ 4,409,755</u>

**NOTE 3 - RECEIVABLES - OTHER**

Receivables - other at June 30, 2006 consist of the following:

	Governmental Activities	Business-type Activities	Total 2006
Franchise taxes	\$ 5,465	\$ 0	\$ 5,465
Grants	6,744	0	6,744
Miscellaneous	1,786	5,156	6,942
	<u>\$ 13,995</u>	<u>\$ 5,156</u>	<u>\$ 19,151</u>

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**MIDWAY CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 4 - CAPITAL ASSETS**

The following is a summary of changes in the governmental activities:

	Beginning Balance 07/01/05	Additions	Retirements	Less: Accumulated Depreciation	Ending Balance 06/30/06
<b>Capital assets not being depreciated:</b>					
Land	\$ 1,389,103	\$ 388,345	\$ 0	\$ 0	\$ 1,777,448
Construction in progress	203,568	0	(203,568)	0	-
<b>Capital assets being depreciated:</b>					
Buildings	614,677	0	0	(265,622)	349,055
Improvements	115,113	95,239	0	(49,191)	161,161
Equipment	589,061	46,335	0	(456,101)	179,295
Vehicles	226,471	23,104	0	(184,695)	64,880
Infrastructure	4,209,688	1,400,274	0	(2,207,432)	3,402,530
<b>Total</b>	<b>\$ 7,347,681</b>	<b>\$ 1,953,297</b>	<b>\$ (203,568)</b>	<b>\$ (3,163,041)</b>	<b>\$ 5,934,369</b>

The following is a summary of changes in the business-type activities:

<b>Capital assets not being depreciated:</b>					
Water stock	\$ 6,865,800	\$ 5,850,000	\$ 0	\$ 0	\$ 12,715,800
Construction in progress	178,387	0	(178,387)	0	-
<b>Capital assets being depreciated:</b>					
Water distribution system	2,978,537	1,473,772	0	(620,134)	3,832,175
Buildings	24,817	236	0	(633)	24,420
Equipment	166,617	6,856	0	(131,513)	41,960
Ice sheet	322,626	3,785	0	(19,455)	306,956
<b>Total</b>	<b>\$ 10,536,784</b>	<b>\$ 7,334,649</b>	<b>\$ (178,387)</b>	<b>\$ (771,735)</b>	<b>\$ 16,921,311</b>

Depreciation expense was charged to the functions/programs of the primary government as follows:

<b>Governmental activities:</b>		
	General government	\$ 110,326
	Highways & public works	200,959
		<u>\$ 311,285</u>
<b>Business-type activities:</b>		
	Water Utility	\$ 81,615
	Ice Rink	24,038
		<u>\$ 105,653</u>

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straightline method over the following estimated useful lives:

<u>Capital assets:</u>	<u>Years</u>
Water distribution system/Ice rink	40
Buildings	40
Sidewalks	30
Streets	20
Building and land improvements	15
Office equipment and furniture	7
Vehicles and heavy equipment	5
Computer equipment	3

**MIDWAY CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 5 - INVESTMENT IN JOINT VENTURE**

Midway City is a party to a joint venture with Heber City and Charleston. The joint venture, Heber Light & Power Company, was created by the three municipalities to provide electric services to their communities. The joint venture is governed by the Power Board elected from the Mayors and City Councils of the participating entities. The Power Board governs the operations of the utility through management employed by the Board. Since the joint venture is subject to the same laws as the creating entities, it must follow Utah State law for local governments in the areas of fiscal management, budgeting, and financing. Since the governing Board is made up of Mayors and City Council appointees, each participating municipality has indirect control over these matters. The percentage share of each participants equity is as follows:

Heber City	75.00%
Charleston	12.50%
Midway City	12.50%
	<u>100.00%</u>

This investment is accounted for by the equity method of accounting.

The following summary financial information for Heber Light & Power is an abstract from the audited financial statements as of December 31, 2005. These financials are available at Heber Light & Power's offices at: 31 South 100 West, Heber City, Utah.

	Joint Venture	Midway City's Share
Assets	\$ 19,668,879	\$ 2,458,610
Liabilities	\$ 7,869,914	\$ 983,739
Equity	11,798,965	1,474,871
	<u>\$ 19,668,879</u>	<u>\$ 2,458,610</u>
Operating revenue	\$ 8,953,736	\$ 1,119,217
Less: cost of sales	7,561,089	945,136
Gross profit	1,392,647	174,081
General and administrative expenses	1,005,162	125,645
Income from operations	387,485	48,436
Other income and (expense)	(274,102)	(34,263)
Net income (loss)	113,383	14,173
Add: contributed capital	733,913	91,739
Less: participant withdrawals	(165,000)	(20,625)
Beginning retained earnings	11,116,669	1,389,584
Ending retained earnings	<u>\$ 11,798,965</u>	<u>\$ 1,474,871</u>
Reconciliation to Combined Balance Sheet:		
Balance at December 31, 2003		\$ 1,474,871
Less: withdrawals		(10,312)
Balance at June 30, 2004		<u>\$ 1,464,559</u>

**MIDWAY CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 5 - INVESTMENT IN JOINT VENTURE (Continued)**

The Heber Light & Power joint venture has the following debt:

	<u>Security</u>	
Revenue bonds - Series 02		
Rates: 3.25% - 5.00%	System revenue	\$ 4,595,000
Capital lease	Unsecured	2,504,713
Meter deposits	Unsecured	32,837
		<u>7,132,550</u>
Less: current portion		<u>(316,591)</u>
Net long-term debt		<u><u>\$ 6,815,959</u></u>

**NOTE 6 - CAPITAL LEASES**

The City had no capital leases at June 30, 2006.

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MIDWAY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 7 - LONG-TERM DEBT

Descriptions of long-term debt follow:

Enterprise Fund.

Debt to D & R Properties consists of a note payable for the purchase of a water tank. The purchase price of the water tank was \$304,000, of which \$150,000 was financed by a note payable to D & R Properties. The note is non-interest bearing and payable at \$50,000 per year. The unpaid balance at June 30, 2006 was \$150,000.

General long term debt account group.

The Midway City Municipal Building Authority issued \$1,000,000 of Lease Revenue Bonds Series 2000A on June 12, 2000. The proceeds were for the Burgi Lane Road project. Class "C" road funds are pledged for the repayment of these bonds. The stated interest rate is 2.5% with principal repayment to begin on April 1, 2005 with annual payments to be made through 2014. The unpaid balance at June 30, 2006 was \$522,324.

The Midway City Municipal Building Authority issued \$400,000 of Lease Revenue Bonds Series 2000B on June 12, 2000. The proceeds were for the Burgi Lane Road project. Class "C" road funds are pledged for the repayment of these bonds. The stated interest rate is 0% with principal repayment to begin on April 1, 2005 with annual payments to be made through 2014. The unpaid balance at June 30, 2006 was \$200,930.

The Midway City Municipal Building Authority issued \$200,000 of Lease Revenue Bonds Series 2002 on May 31, 2002. The proceeds were for the purchase of additional cemetery property. The stated interest rate is 2.5% with principal repayment to begin on February 10, 2004 with annual payments to be made through 2023. The unpaid balance at June 30, 2006 was \$176,000.

Midway City obtained a construction loan from Community First National Bank in order to build a new public works building. The loan in the amount of \$245,000 was converted into permanent debt at the end of construction when the building was completed and approved. The interest rate is 5.328%. The permanent loan will be paid off in twelve annual installments in the amount of \$28,155.18 beginning on October 26, 2000. The unpaid balance at June 30, 2006 was \$139,817.

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**MIDWAY CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 7 - LONG-TERM DEBT (Continued)**

Long-term debt consists of the following at June 30, 2006:

	2006
<b>Business-type activities:</b>	
Note Payable	\$ 150,000
Total	<u>\$ 150,000</u>
<b>Governmental activities:</b>	
MBA Lease Revenue Bond Series 2000A	\$ 522,324
MBA Lease Revenue Bond Series 2000B	200,930
MBA Lease Revenue Bond Series 20002	176,000
Community First Note Payable	139,817
Total bonds and notes	<u>1,039,071</u>
Accrued Compensated Absences	41,155
Total	<u>\$ 1,080,226</u>

The following is a schedule of bond & note maturities by year:

	Principal	Interest	Total
<b>Business-type activities:</b>			
2007	\$ 50,000	\$ -	\$ 50,000
2008	50,000	-	50,000
2009	50,000	-	50,000
	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>
<b>Governmental activities:</b>			
2007	\$ 162,724	\$ 23,890	\$ 186,614
2008	167,723	20,365	188,088
2009	171,768	16,695	188,463
2010	174,861	12,902	187,763
2011	179,005	9,008	188,013
2012 to 2016	101,990	15,687	117,677
2017 to 2021	57,000	7,250	64,250
2022 to 2026	24,000	900	24,900
	<u>\$ 1,039,071</u>	<u>\$ 106,697</u>	<u>\$ 1,145,768</u>

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**MIDWAY CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 7 - LONG-TERM DEBT (Continued))**

During the year ended June 30, 2006, the following changes occurred in long term liabilities:

**Governmental activities:**

	Balance 07/01/05	Additions	Retirements	Balance 06/30/06	Due within one year
MBA Bonds 2000A	\$ 613,324	\$ 0	\$ (91,000)	\$ 522,324	\$ 93,000
MBA Bonds 2000B	240,930	0	(40,000)	200,930	40,000
MBA Bonds 20002	184,000	0	(8,000)	176,000	8,000
Note Payable	160,491	210	(20,884)	139,817	21,724
Capital lease (Note 6)	15,314	0	(15,314)	-	-
Accrued Compensated Absences	41,065	90	0	41,155	0
Total	<u>\$ 1,255,124</u>	<u>\$ 300</u>	<u>\$ (175,198)</u>	<u>\$ 1,080,226</u>	<u>\$ 162,724</u>

**Business-type activities:**

	Balance 07/01/05	Additions	Retirements	Balance 6/30/200	Due within one year
Heber Valley S.S.D. Note Payable	\$ 250	\$ 0	\$ (250)	\$ 0	\$ -
D&R Water Tank Note Payable	0	150,000	0	150,000	50,000
Revenue bond Series 1991	19,390	0	(19,390)	-	-
Total	<u>\$ 19,640</u>	<u>\$ 150,000</u>	<u>\$ (19,640)</u>	<u>\$ 150,000</u>	<u>\$ 50,000</u>

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MIDWAY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 8 - RESTRICTION ON NET ASSETS

Net Assets are restricted for the following purposes:

The Special Revenue Fund balance represents the unexpended portion of monies that must be used for drug enforcement purposes only.

The Capital Projects Fund balance represents the unexpended portion of park impact fees.

The Municipal Building Authority represents the unexpended bond proceeds and other restricted funding for the Burgi Lane construction project.

The balance represents monies set aside in the Perpetual Care Fund.

NOTE 9 - RETIREMENT PLANS

Cost-Sharing Multi-Employer Plan

Plan Description

The City contributes to the Local Governmental Contributory Retirement System (Contributory System) and Local Government Noncontributory Retirement System (Noncontributory System), both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost-of-living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with statutes established and amended by the Utah State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

Plan members in the Contributory System are required to contribute 6.00% of their annual covered salary (paid by the employer for the employee), and the City is required to contribute 7.08% of their annual covered salary. In the Noncontributory System, the City is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

MIDWAY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 9 - RETIREMENT PLANS (Continued)

The City contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Contributory System, \$5,346, \$4,751, and \$4,182; and for the Noncontributory System, \$37,806, \$23,977, and \$20,282 respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plans

The City participates in a 401(k) plan managed by the Utah State Retirement System (Systems). All full-time regular employees are eligible to participate in this plan. Although not required by the Systems to contribute to the 401(k), the City contributed 1.99% of salaries. The City contributed \$10,390, \$4,303, and \$4,196 during the fiscal years ended June 30, 2006, 2005 and 2004. Employees contributed \$7,864, \$4,852, and \$2,280 during the fiscal years ended June 30, 2006, 2005 and 2004.

NOTE 10 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in accordance with Utah Code in establishing the budgetary data reflected in the financial statements:

1. On or before the first regularly scheduled meeting of the Mayor and City Council in May, the clerk prepares a tentative budget for the ensuing fiscal year.
2. The tentative budget as adopted by the Mayor and City Council is then made available to the public for inspection for a period of at least ten days prior to the adoption of the final budget.
3. Prior to June 22, the budget is legally enacted through passage of a resolution.
4. The City Council approves, by resolution, total budget appropriations only. The city budget officer is authorized to transfer any unexpended appropriation balances from one expenditure account to another within departments during the budget year. The originally adopted budget may be amended during the year. The City Council by resolution may transfer any unexpended appropriation balance from one department to another within the same fund. In order to increase expenditures in any fund the city must hold a public hearing in addition to passing a resolution.
5. Unused appropriations for all annually budgeted funds lapse at the end of the fiscal year on June 30.
6. Unused capital project fund appropriations are carried into the subsequent fiscal year.

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**MIDWAY CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 11- PROPERTY TAX**

Property taxes are levied on January 1<sup>st</sup>, giving the City legal claim on that date. They are due on 1<sup>st</sup> and are delinquent after November 30<sup>th</sup> of each year. Property tax revenues are collected by the Wasatch County Treasurer and remitted to the City shortly after collection. The uncollected, measurable amounts have been accrued as deferred revenue.

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**MIDWAY CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 12 - ENTERPRISE FUNDS - SEGMENT INFORMATION**

Business type fund segment information for the Water Fund for the fiscal year ended June 30, 2006:

**Condensed Statement of Net Assets**

	Water
<b>Assets</b>	
Current assets	\$ 1,790,190
Noncurrent assets	18,020,735
Total assets	<u>\$ 19,810,925</u>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Current liabilities	\$ 668,522
Due to other funds	0
Noncurrent liabilities	100,000
Total liabilities	<u>768,522</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	16,405,692
Restricted	855,617
Unrestricted	1,781,094
Total net assets	<u>19,042,403</u>
Total liabilities and net assets	<u>\$ 19,810,925</u>

**Condensed Statement of Revenues, Expenses and changes in Net Assets**

Operating revenue	\$ 968,445
Operating expenses	(265,382)
Depreciation	(81,615)
Operating income (loss)	<u>621,448</u>
Non-operating income	50,442
Interest expense	(969)
Capital contributions	6,587,751
Operating transfers in (out)	(20,625)
Change in net assets	<u>7,238,047</u>
Total net assets - beginning	11,804,356
Total net assets - ending	<u>\$ 19,042,403</u>

**Condensed Statement of Cash Flows**

Net cash provided by:	
Operating activities	\$ 704,959
Noncapital financing activities	(25,298)
Capital and related financing activities	(522,831)
Investing activities	56,894
Net increase (decrease)	<u>213,724</u>
Cash and cash equivalents - beginning	1,431,416
Cash and cash equivalents - ending	<u>\$ 1,645,140</u>

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## **SUPPLEMENTAL INFORMATION**

The supplemental information section provides the reader with additional information about the basic financial statements.

**MIDWAY CITY CORPORATION  
GENERAL CAPITAL PROJECTS  
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Impact fees - parks	\$ 0	\$ 150,000	\$ 152,440	\$ 2,440
Impact fees - transportation	0	218,000	220,900	2,900
Impact fees - trails	0	10,000	11,284	1,284
Impact fees - interest	10,200	63,500	59,003	(4,497)
Miscellaneous	250,600	24,000	24,410	410
	<u>260,800</u>	<u>465,500</u>	<u>468,037</u>	<u>2,537</u>
<b>Expenditures</b>				
Salaries & wages	0	0	0	0
Employee benefits	0	0	0	0
Material supplies & services	0	73,000	50,111	(22,889)
Capital outlay:				
Sidewalks	10,000	0	0	0
Buildings	13,000	0	0	0
Streets	233,225	171,625	158,168	(13,457)
Class "C" Roads	0	250,000	228,159	(21,841)
Parks and recreation	60,000	160,000	116,588	(43,412)
Cemetery	5,000	0	0	0
Other CIP	0	15,000	8,731	(6,269)
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
	<u>321,225</u>	<u>669,625</u>	<u>561,757</u>	<u>(107,868)</u>
Excess (deficit) of revenues over expenditures	<u>(60,425)</u>	<u>(204,125)</u>	<u>(93,720)</u>	<u>110,405</u>
<b>Other Financing Sources and (uses)</b>				
Sale of assets	0	0	0	0
Operating transfers in	120,625	900,625	877,433	(23,192)
Operating transfers out	2,500	0	0	0
	<u>123,125</u>	<u>900,625</u>	<u>877,433</u>	<u>(23,192)</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ 62,700</u>	<u>\$ 696,500</u>	<u>783,713</u>	<u>\$ 87,213</u>
Fund balance, July 1			<u>904,915</u>	
Fund balance, June 30			<u>\$ 1,688,628</u>	

**MIDWAY CITY CORPORATION  
MUNICIPAL BUILDING AUTHORITY  
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b><u>Revenues</u></b>				
State Park Grant	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous	153,759	40,800	41,386	586
	<u>153,759</u>	<u>40,800</u>	<u>41,386</u>	<u>586</u>
<b><u>Expenditures</u></b>				
Salaries & wages	0	0	0	0
Employee benefits	0	0	0	0
Material supplies & services	0	0	0	0
Capital outlay:				
Streets	0	0	0	0
Debt service:				
Principal	167,000	140,000	139,000	(1,000)
Interest	0	20,600	19,933	(667)
	<u>167,000</u>	<u>160,600</u>	<u>158,933</u>	<u>(1,667)</u>
Excess (deficit) of revenues over expenditures	<u>(13,241)</u>	<u>(119,800)</u>	<u>(117,547)</u>	<u>2,253</u>
<b><u>Other Financing Sources and (uses)</u></b>				
Operating transfers in	13,241	158,933	0	(158,933)
Operating transfers out	0	0	0	0
	<u>13,241</u>	<u>158,933</u>	<u>0</u>	<u>(158,933)</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ -</u>	<u>\$ 39,133</u>	<u>(117,547)</u>	<u>\$ (156,680)</u>
Fund balance, July 1			<u>358,819</u>	
Fund balance, June 30			<u>\$ 241,272</u>	

**MIDWAY CITY CORPORATION  
CEMETERY PERPETUAL CARE FUND  
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<u>Operating Revenues</u>				
Perpetual care	\$ 1,800	\$ 10,000	\$ 10,258	\$ 258
Lot sales	3,500	11,000	11,880	880
	<u>5,300</u>	<u>21,000</u>	<u>22,138</u>	<u>1,138</u>
<u>Operating Expense</u>				
	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operating income	<u>5,300</u>	<u>21,000</u>	<u>22,138</u>	<u>1,138</u>
<u>Nonoperating Revenues and (Expenses)</u>				
Interest revenue	2,500	5,600	6,292	692
	<u>2,500</u>	<u>5,600</u>	<u>6,292</u>	<u>692</u>
Income before operating transfers	<u>7,800</u>	<u>26,600</u>	<u>28,430</u>	<u>1,830</u>
<u>Operating Transfers</u>				
Operating transfers (out)	(18,000)	0	0	0
	<u>(18,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net income	<u>\$ (10,200)</u>	<u>\$ 26,600</u>	28,430	<u>\$ 1,830</u>
Fund Balance, July 1			<u>154,631</u>	
Fund Balance, June 30			<u>\$ 183,061</u>	



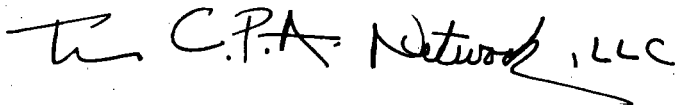
**YELLOW BOOK  
AND  
STATE LEGAL COMPLIANCE  
REPORTS**

However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midway City Corporation, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of Midway City Council members, management, others within the organization, the Utah State Auditor's Office and other Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

The C.P.A. Network, LLC

THE C.P.A. NETWORK, LLC  
Certified Public Accountants  
Provo, Utah

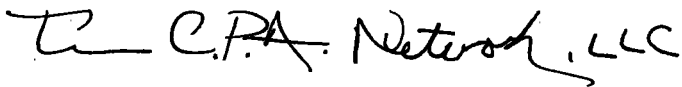
December 1, 2006

The management of Midway City Corporation, Utah, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Midway City Corporation, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.



THE C.P.A. NETWORK, LLC  
Certified Public Accountants  
Provo, Utah

December 1, 2006

MIDWAY CITY CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
CURRENT YEAR  
JUNE 30, 2006

---

Program Findings, Recommendations and Cities Response Questioned Costs

---

Internal  
Control

06-1

**Finding**

\$ -0-

Midway City Corporation, Utah has in the past had a limited number of personnel to perform various accounting functions. Therefore, total segregation of duties was not feasible. However, with the recent growth of the City's personnel proper segregation of duties is now feasible.

**Recommendation**

We recommend that the City review its internal control systems and segregation of duties.

**City's Response**

The City, due to recent growth, has added to personnel and will review its internal control systems and segregation of duties in the current fiscal year.

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MIDWAY CITY CORPORATION  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**CURRENT STATUS OF PRIOR YEAR FINDINGS**  
 JUNE 30, 2006

Program	Findings, Recommendations and Cities Response	Questioned Costs
State Legal Compliance	05-1 <b><u>Finding</u></b> The City's general fund balance exceeded the maximum allowable by \$313,723. <b><u>Current Status</u></b> The City's general fund balance was between the state mandated limits of 5% and 18% at the end of the current fiscal year ended June 30, 2006.	\$ -0-
Internal Control	05-2 <b><u>Finding</u></b> Midway City Corporation, Utah has a limited number of personnel to perform various accounting functions. Therefore, total segregation of duties is not feasible. To correct this weakness would require the City to hire additional personnel which would not be cost effective. <b><u>City's Response</u></b> The City has no plans to add personnel until such time that the City's growth warrants the additional expenditure. <b><u>Current Status</u></b> See current year findings 06-1.	\$ -0-
State Legal Compliance	05-3 <b><u>Finding</u></b> The City's expenditures exceeded the final adopted budget in the following departments of the general fund: Mayor \$2,115 <b><u>Current Status</u></b> There were no departments or funds that exceeded budget.	\$ -0-

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